

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name TOWNSHIP OF CURTIS	County ALCONA
Audit Date 03/31/2004	Opinion Date 05/26/2004	Date Accountant Report Submitted to State: 08/18/2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

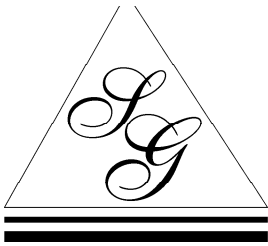
You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) STEPHENSON, GRACIK & CO., P.C.			
Street Address 325 NEWMAN STREET, PO BOX 592	City EAST TAWAS	State MI	ZIP 48730
Accountant Signature 		Digitally signed by Stephenson, Gracik and Co., P.C. DN: cn=Stephenson, Gracik and Co., P.C., c=US Date: 2004.08.12 09:28:29 -0500 Reason: I am approving this document	



Stephenson Gracik & Co., P.C.

Certified Public Accountants & Consultants

Alan J Stephenson, CPA
Gerald D Gracik Jr., CPA
James J Gracik, CPA
E. Thad Gray, CPA
Donald W. Brannan, CPA
Kyle E Troyer, CPA

Herman A Bertuleit, CPA

TOWNSHIP OF CURTIS
ALCONA COUNTY, MICHIGAN

AUDITORS' REPORT
YEAR ENDED MARCH 31, 2004

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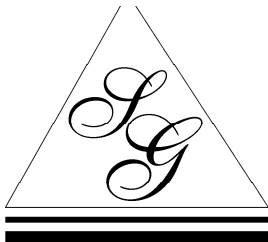
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Stephenson Gracik & Co., P.C.

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Herman A Bertuleit, CPA

May 26, 2004

Independent Auditors' Report

Township Board
Township of Curtis
Alcona County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Curtis, Alcona County, Michigan, as of and for the year ended March 31, 2004, as listed in the index. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 2, the general purpose financial statements referred to in the first paragraph do not include the financial statements of the General Fixed Assets Group of Accounts, which should be included to conform with accounting principles generally accepted in the United States of America. The amount that should be recorded in the General Fixed Assets Group of Accounts is not known.

As described more fully in Note 2, the general purpose financial statements referred to in the first paragraph do not include the fixed assets of the Alcona Park Fund acquired prior to January 1, 1995 and the related accumulated depreciation. These amounts should be included to conform with accounting principles generally accepted in the United States of America. The amounts that should be recorded are not known.

In our opinion, except for the effects on the general purpose financial statements of the omissions described in the preceding paragraphs, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Township of Curtis, Alcona County, Michigan, as of March 31, 2004, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2004, on our consideration of the Township of Curtis' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Stephenson, Gracik & Co., P.C.

TOWNSHIP OF CURTIS
Alcona County, Michigan

COMBINED BALANCE SHEET - ALL FUND TYPES,
ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNIT
March 31, 2004

	Governmental Fund Types		Proprietary Fund Types	Fiduciary Fund Types	Account Group	Totals (Memorandum Only)	Component Unit	Totals (Memorandum Only)
	General	Special Revenue	Enterprise	Trust and Agency	General Long-Term Debt	Primary Government	Curtis Township Library	Reporting Entity
<u>ASSETS</u>								
Cash (Note 3)	\$ 78,027	\$ 10,428	\$ 97,163	\$ 43,642	\$ 0	\$ 229,260	\$ 13,803	\$ 243,063
Certificates of deposit (Note 3)	10,000	0	50,000	0	0	60,000	0	60,000
Taxes receivable (Note 1)	5,531	0	0	0	0	5,531	0	5,531
Due from other funds (Note 5)	41,619	0	0	0	0	41,619	0	41,619
Property, plant and equipment (Note 6)	0	0	627,497	0	0	627,497	179,453	806,950
Accumulated depreciation (Note 6)	0	0	(180,390)	0	0	(180,390)	0	(180,390)
Amount to be provided for retirement of general long-term debt	0	0	0	0	4,952	4,952	0	4,952
Total Assets	\$ <u>135,177</u>	\$ <u>10,428</u>	\$ <u>594,270</u>	\$ <u>43,642</u>	\$ <u>4,952</u>	\$ <u>788,469</u>	\$ <u>193,256</u>	\$ <u>981,725</u>
<u>LIABILITIES AND FUND EQUITY</u>								
<u>Liabilities</u>								
Due to other funds (Note 5)	\$ 0	\$ 0	\$ 0	\$ 41,619	\$ 0	\$ 41,619	\$ 0	\$ 41,619
Due to other units	0	0	0	1,749	0	1,749	0	1,749
Due to state	0	0	0	274	0	274	0	274
Deferred revenue (Note 13)	0	0	14,070	0	0	14,070	2,001	16,071
Contracts payable (Note 7)	0	0	0	0	4,952	4,952	0	4,952
Total liabilities	0	0	14,070	43,642	4,952	62,664	2,001	64,665
<u>Fund Equity</u>								
Investment in general fixed assets	0	0	0	0	0	0	179,453	179,453
Retained Earnings:								
Unreserved	0	0	580,200	0	0	580,200	0	580,200
Fund Balances:								
Unreserved:								
Undesignated	135,177	10,428	0	0	0	145,605	11,802	157,407
Total fund equity	<u>135,177</u>	<u>10,428</u>	<u>580,200</u>	<u>0</u>	<u>0</u>	<u>725,805</u>	<u>191,255</u>	<u>917,060</u>
Total Liabilities and Fund Equity	\$ <u>135,177</u>	\$ <u>10,428</u>	\$ <u>594,270</u>	\$ <u>43,642</u>	\$ <u>4,952</u>	\$ <u>788,469</u>	\$ <u>193,256</u>	\$ <u>981,725</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF CURTIS
Alcona County, Michigan

COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT
For the Year Ended March 31, 2004

	Governmental Fund Types		Totals (Memorandum Only)	Component Unit	Totals (Memorandum Only)
	General	Special Revenue	Primary Government	Curtis Township Library	Reporting Entity
<u>Revenue</u>					
Taxes	\$ 51,530	\$ 0	\$ 51,530	\$ 23,670	\$ 75,200
Licenses and permits	956	0	956	0	956
Federal revenue	51,047	0	51,047	0	51,047
State revenue	100,790	0	100,790	572	101,362
Local contributions	0	0	0	10,084	10,084
Charges for services	12,409	0	12,409	0	12,409
Fines and forfeitures	0	0	0	8,945	8,945
Interest and rents	5,726	3,677	9,403	242	9,645
Other	7,230	30	7,260	5,195	12,455
Total revenue	<u>229,688</u>	<u>3,707</u>	<u>233,395</u>	<u>48,708</u>	<u>282,103</u>
<u>Expenditures</u>					
Current:					
General government	113,021	0	113,021	0	113,021
Public safety	49,593	0	49,593	0	49,593
Public works	20,999	114,281	135,280	0	135,280
Recreation and cultural	0	0	0	40,992	40,992
Other	9,519	0	9,519	0	9,519
Capital outlay	50,436	0	50,436	10,927	61,363
Debt Service:					
Principal retirement	2,534	0	2,534	0	2,534
Interest and fiscal charges	507	0	507	0	507
Total expenditures	<u>246,609</u>	<u>114,281</u>	<u>360,890</u>	<u>51,919</u>	<u>412,809</u>
Excess of revenue over (under) expenditures	(16,921)	(110,574)	(127,495)	(3,211)	(130,706)
Fund balances - beginning of year	<u>152,098</u>	<u>121,002</u>	<u>273,100</u>	<u>15,013</u>	<u>288,113</u>
Fund balances - end of year	<u>\$ 135,177</u>	<u>\$ 10,428</u>	<u>\$ 145,605</u>	<u>\$ 11,802</u>	<u>\$ 157,407</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF CURTIS
Alcona County, Michigan

COMBINED STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
GENERAL AND SPECIAL REVENUE FUNDS
For the Year Ended March 31, 2004

	General			Special Revenue			Totals (Memorandum Only)		
	Budget	Actual	Variance - Favorable (Unfavorable)	Budget	Actual	Variance - Favorable (Unfavorable)	Budget	Actual	Variance - Favorable (Unfavorable)
<u>Revenue</u>									
Taxes	\$ 51,835	\$ 51,530	\$ (305)	\$ 0	\$ 0	\$ 0	\$ 51,835	\$ 51,530	\$ (305)
Licenses and permits	956	956	0	0	0	0	956	956	0
Federal revenue	18,619	51,047	32,428	0	0	0	18,619	51,047	32,428
State revenue	100,790	100,790	0	0	0	0	100,790	100,790	0
Charges for services	12,631	12,409	(222)	0	0	0	12,631	12,409	(222)
Interest and rents	4,001	5,726	1,725	3,662	3,677	15	7,663	9,403	1,740
Other	7,230	7,230	0	30	30	0	7,260	7,260	0
Total revenue	<u>196,062</u>	<u>229,688</u>	<u>33,626</u>	<u>3,692</u>	<u>3,707</u>	<u>15</u>	<u>199,754</u>	<u>233,395</u>	<u>33,641</u>
<u>Expenditures</u>									
Current:									
General government	125,419	113,021	12,398	0	0	0	125,419	113,021	12,398
Public safety	48,562	49,593	(1,031)	0	0	0	48,562	49,593	(1,031)
Public works	71,972	20,999	50,973	120,972	114,281	6,691	192,944	135,280	57,664
Other	16,727	9,519	7,208	0	0	0	16,727	9,519	7,208
Capital outlay	58,441	50,436	8,005	0	0	0	58,441	50,436	8,005
Debt Service:									
Principal retirement	9,296	2,534	6,762	0	0	0	9,296	2,534	6,762
Interest and fiscal charges	1,904	507	1,397	0	0	0	1,904	507	1,397
Total expenditures	<u>332,321</u>	<u>246,609</u>	<u>85,712</u>	<u>120,972</u>	<u>114,281</u>	<u>6,691</u>	<u>453,293</u>	<u>360,890</u>	<u>92,403</u>
Excess of revenue over (under) expenditures	(136,259)	(16,921)	119,338	(117,280)	(110,574)	6,706	(253,539)	(127,495)	126,044
Fund balances - beginning of year	<u>152,098</u>	<u>152,098</u>	<u>0</u>	<u>121,002</u>	<u>121,002</u>	<u>0</u>	<u>273,100</u>	<u>273,100</u>	<u>0</u>
Fund balances - end of year	<u>\$ 15,839</u>	<u>\$ 135,177</u>	<u>\$ 119,338</u>	<u>\$ 3,722</u>	<u>\$ 10,428</u>	<u>\$ 6,706</u>	<u>\$ 19,561</u>	<u>\$ 145,605</u>	<u>\$ 126,044</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF CURTIS
Alcona County, Michigan

COMBINED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN RETAINED
 EARNINGS - ALL PROPRIETARY FUND TYPES - ENTERPRISE FUND
For the Year Ended March 31, 2004

Operating Revenue

Camping fees	\$ 353,905
Shower fees	7,821
Store sales	35,977
Miscellaneous	2,693
Total operating revenue	<u>400,396</u>

Operating Expenses

Salaries, wages and social security	155,874
Administration	600
Fringe benefits	45,102
Printing and advertising	2,890
Office supplies	7,148
Store supplies	21,833
Small tools	872
Janitorial supplies	3,335
Telephone	1,956
Fuel and oil	7,730
Miscellaneous	779
Insurance and bonds	9,301
Utilities	18,097
Repairs and maintenance	32,037
Property taxes	5,339
Dust control	3,113
Uniforms	1,210
Rent	2,400
Depreciation	40,574
Total operating expenses	<u>360,190</u>

Operating income 40,206

Non-Operating Revenue

Interest earned	<u>1,799</u>
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Net income 42,005

Retained earnings - beginning of year 538,195

Retained earnings - end of year \$ 580,200

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF CURTIS
Alcona County, Michigan

COMBINED STATEMENT OF CASH FLOWS -
 ALL PROPRIETARY FUND TYPES - ENTERPRISE FUND
For the Year Ended March 31, 2004

Cash Flows From Operating Activities

Cash received from customers	\$ 397,166
Cash paid to suppliers and employees	(319,616)
Interest received	1,227
Net cash provided by operating activities (Note 8)	<u>78,777</u>

Cash Flows From Capital and Related Financing Activities

Acquisition and construction of capital assets	<u>(86,661)</u>
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Cash Flows From Investing Activities

Interest on investments	<u>572</u>
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Net decrease in cash and cash equivalents (Note 1) (7,312)

Cash and cash equivalents at beginning of year (Note 1) 104,475

Cash and cash equivalents at end of year (Note 1) \$ 97,163

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF CURTIS
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Township Operations and Fund Types

The Township of Curtis operates under an elected Township Board (five members) and provides services to its residents in many areas, including road maintenance and fire protection. The financial statements of the Township of Curtis have been prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America as applied to governmental units. The Township's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary Funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Oversight responsibility is determined by factors such as financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters of the entity.

Blended Component Unit - The Alcona Park is legally separate from the Township. The Park is reported as if it were part of the primary government because its sole purpose is to finance, construct and operate the Township Park's facilities. The financial activities of the Alcona Park are recorded in an Enterprise Fund. The Alcona Park uses a December 31, 2003 year end, which is what is presented in these financial statements. Complete financial statements for the Alcona Park can be obtained from the Township Clerk's office.

Discretely Presented Component Unit - The component unit column in the combined financial statements represents the financial data of the Curtis Township Library. The Library is reported in a separate column to emphasize that it is legally separate from the Township. The governing body of this component unit consists of six Library Board members. The Library was established in 1994 to maintain and operate a public library for the Township of Curtis. The Curtis Township Library uses a December 31, 2003 year end, which is what is presented in these financial statements. Complete financial statements can be obtained from the Township Clerk's office.

B. Basis of Presentation

The financial activities of the Township of Curtis are recorded in separate funds and account groups, categorized and described as follows:

1. Governmental Funds:

General Fund - This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes and state distributions, grants and other intergovernmental revenue.

Special Revenue Fund – This fund is used to account for road activity requiring separate accounting because of legal or regulatory provisions or administrative action.

2. Proprietary Fund:

Enterprise Fund - This fund reports operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes. The Township has one Enterprise Fund, the Alcona Park Fund.

TOWNSHIP OF CURTIS
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

3. Fiduciary Funds:

These funds are used to account for assets held in trust or as an agent for others. The Township of Curtis uses these funds to account for payroll tax withholdings and the eventual payment of the liability, as well as property tax collections.

4. Account Group:

General Long-term Debt Account Group – This account group presents the balance of general obligation long-term debt.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The accrual basis of accounting is used by the Enterprise Fund.

Revenues – Exchange and Non-exchange Transactions:

Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available, means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Township, available means expected to be received within 60 days of the fiscal year-end.

Nonexchange transactions, in which the Township receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Township must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Township on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

The financial activity of the Agency Funds is limited to collection of amounts which are subsequently returned or paid to third parties and, accordingly, are limited to cash transactions.

The governmental funds of the Township are maintained on the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the County tax rolls.

TOWNSHIP OF CURTIS
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

For the current year, the taxable value for properties located within the Township was \$50,046,142. The tax rate was .6457 mills for operating and .4846 mills for Library services.

- b. Payrolls and other costs are recognized as incurred.
- c. Payments for inventorable types of supplies are recorded as expenditures at the time of purchase.
- d. Normally, expenditures are not divided between years by the recording of prepaid expenses.

D. Assets, Liabilities and Fund Equity

Inventories:

Inventories are not recognized, whereby materials and supplies are expensed as purchased.

Interfund Receivables and Payables:

Interfund receivables and payables have not been eliminated in the preparation of the Combined Balance Sheet (EXHIBIT A).

Fixed Assets and Depreciation:

Enterprise Fund - Property, plant and equipment is stated at cost. Depreciation has been provided using the straight line method over the estimated useful life of the assets.

General Fixed Assets - General fixed assets are recorded as expenditures at the time of purchase, except for the Proprietary Funds.

Statement of Cash Flows:

For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased, are considered to be cash equivalents.

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

F. Budgets and Budgetary Accounting

The Township normally follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Township Clerk submits a proposed operating budget to the Township Board which includes proposed expenditures and the means of financing them.

TOWNSHIP OF CURTIS
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgets and Budgetary Accounting (Continued)

2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted through passage of an ordinance.

All budget appropriations lapse at year end. Budgetary amounts reported herein are as originally adopted or as amended by the Township Board.

Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles, and consist only of those amounts contained in the formal budget approved and amended by the Township Board.

NOTE 2 - FUNDS OMITTED AND INCOMPLETE FUNDS

General Fixed Assets

The Township does not maintain records for the General Fixed Assets. Therefore, this fund has not been included in the financial statements.

Enterprise Fund Fixed Assets

The Alcona Park Fund did not maintain records for fixed assets acquired prior to January 1, 1995 and the related accumulated depreciation. Therefore, these balances and the related depreciation expense have not been included in the general purpose financial statements.

NOTE 3 - DEPOSITS AND INVESTMENTS

The captions on the financial statements for the deposit accounts are as follows:

Primary Government

Cash	\$ 229,260
Certificates of deposit	60,000
Less: Petty cash included in cash	<u>(700)</u>
	288,560

Component Unit

Cash	<u>13,803</u>
------	---------------

Total reporting entity	<u>\$ 302,363</u>
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TOWNSHIP OF CURTIS
Alcona County, MichiganNOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2004NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits:

Deposits are carried at cost. Deposits of the Township and its component unit are held at various banks in the name of the Township Treasurer. At year end, the carrying amounts of the Township's and its component unit's deposits were classified as to risk as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
<u>Primary Government</u>		
Insured (FDIC)	\$ 249,335	\$ 258,568
Uninsured-uncollateralized	<u>39,225</u>	<u>38,921</u>
Total primary government	288,560	297,489
 <u>Component Unit</u>		
Insured (FDIC)	<u>13,803</u>	<u>16,262</u>
 Total deposits reporting entity	<u><u>\$ 302,363</u></u>	<u><u>\$ 313,751</u></u>

Investments:

The Township Board has adopted an investment policy in accordance with Act 196, PA 1997 which authorizes the Township to deposit and invest in the following:

- * Accounts of federally insured banks, credit unions and savings and loan associations
- * Bonds and other direct obligations of the United States or an agency or instrumentality of the United States
- * United States government or federal agency obligation repurchase agreements
- * Banker's acceptances of United States banks
- * Commercial paper rated within the two highest classifications by not less than two standard rating services which matures not more than 270 days after the date of purchase
- * Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation

Michigan law requires that public funds may not be deposited in financial institutions that do not maintain an office in Michigan. The Township's deposits and investments are in accordance with statutory authority.

NOTE 4 - UNEMPLOYMENT COMPENSATION

The Township is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the Township must reimburse the Employment Agency for all benefits charged against the Township. No liabilities have been incurred as of March 31, 2004.

TOWNSHIP OF CURTIS
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2004

NOTE 5 - RECEIVABLES AND PAYABLES WITHIN THE REPORTING ENTITY

The amounts of interfund receivables and payables for the primary government as of March 31, 2004 were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	\$ 2,417	Trust and Agency Fund	\$ 2,417
General Fund	<u>39,202</u>	Tax Account	<u>39,202</u>
Total	<u>\$ 41,619</u>	Total	<u>\$ 41,619</u>

NOTE 6 - CHANGES IN FIXED ASSETS

A summary of changes in property, plant and equipment, of the Alcona Park (Enterprise Fund), at December 31, 2003 follows:

	<u>Balance 1/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/03</u>
Land improvements	\$ 113,089	\$ 12,177	\$ 0	\$ 125,266
Building and improvements	329,537	71,659	0	401,196
Machinery and equipment	<u>98,210</u>	<u>2,825</u>	<u>0</u>	<u>101,035</u>
	540,836	86,661	0	627,497
Less accumulated depreciation	<u>139,816</u>	<u>40,574</u>	<u>0</u>	<u>180,390</u>
Net property, plant and equipment	<u>\$ 401,020</u>	<u>\$ 46,087</u>	<u>\$ 0</u>	<u>\$ 447,107</u>

The Alcona Park's fixed assets are stated at cost. Depreciation is calculated using straight line basis at rates ranging from 5% to 20% per year. The estimated useful lives are as follows:

Land improvements	20 years
Building and improvements	20 years
Machinery and equipment	5 years

The following is a summary of changes in the General Fixed Assets of the Curtis Township Library - a Governmental Type Fund Component Unit:

	<u>Balance 1/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/03</u>
<u>Property, Plant and Equipment</u>				
Land improvements	\$ 7,733	\$ 0	\$ 0	\$ 7,733
Building and improvements	107,521	0	0	107,521
Furniture, fixtures and equipment	<u>53,572</u>	<u>10,927</u>	<u>300</u>	<u>64,199</u>
	<u>\$ 168,826</u>	<u>\$ 10,927</u>	<u>\$ 300</u>	<u>\$ 179,453</u>

TOWNSHIP OF CURTIS
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2004

NOTE 7 - LONG-TERM DEBT

Contract Payable

On November 20, 2000, the Township purchased property, for future Township Hall expansion, on a land contract. The Township paid \$15,000 for the land; \$2,500 cash and the remainder in the form of a land contract. The land contract is repayable in monthly installments of \$253 including interest at the rate of 8% on the unpaid balance. Said payments are payable to Nannette G. McDougall. The balance remaining at March 31, 2004 was \$4,952.

The annual principal and interest requirements for the years succeeding March 31, 2004 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2004-05	\$ 3,041
2005-06	<u>2,281</u>
	5,322
Less interest	<u>370</u>
	<u>\$ 4,952</u>

NOTE 8 - RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	\$ 40,206
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	40,574
Interest earned on cash accounts	1,227
Changes in assets and liabilities:	
Decrease in deferred revenue	<u>(3,230)</u>
Net cash provided by operating activities	<u>\$ 78,777</u>

NOTE 9 - OPERATING LEASE

On May 1, 1997, the Alcona Park entered into a lease agreement with Consumers Energy for the rental of the tract of land that includes camping areas on both sides of the AuSable River on Alcona Pond. The lease is for a period of 15 years at an amount of \$2,400 per year, based on expenses lessor expects to incur in administering the terms of the lease. In addition, Alcona Park shall pay all taxes, assessments and other public charges levied on the leased premises during each year that the lease is in effect. The annual amount shall be revised in 2007 and each fifth year thereafter during the term of the lease, based on projected data for the year of the revision.

TOWNSHIP OF CURTIS
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2004

NOTE 10 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted to the functional level.

During the year ended March 31, 2004, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

<u>Fund/Activity</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund:			
Public safety	\$ 48,562	\$ 49,593	\$ 1,031

NOTE 11 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation). The Township has purchased commercial insurance for general liability, excess liability, auto liability, errors and omissions, and physical damage (equipment, buildings and contents) claims, and participates in the Michigan Municipal workers compensation fund risk pool for claims relating to workers compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Workers Compensation Fund program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE 12 - SEGMENT INFORMATION FOR ENTERPRISE FUND

The Township's Enterprise Fund, Alcona Park, provides camping services to the public. Segment information not reflected in EXHIBITS A - E for the year ended March 31, 2004 is as follows:

Net working capital \$ 133,093

NOTE 13 - DEFERRED REVENUE

Deferred revenue arise when assets are recognized before the revenue recognition criteria have been satisfied.

Primary Government

Deferred revenue represents prepaid camping fees to be recognized in the following fiscal year.

Component Unit

Deferred revenue represents grants and entitlements received before the eligibility requirements were met.

TOWNSHIP OF CURTIS
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2004

NOTE 14 - TOTAL COLUMN ON COMBINED STATEMENTS

The total column on the Combined Statements is captioned Memorandum Only to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 15 - NEW REPORTING STANDARD

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments". This Statement establishes new financial reporting requirements for state and local governments throughout the United States. When implemented, it will require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in all prior years will be affected. The Township is required to implement this standard for the fiscal year ending March 31, 2005. The Township has not yet determined the full impact that adoption of GASB Statement 34 will have on the financial statements.

OTHER DATA

REPORT ON OTHER DATA

May 26, 2004

Our audit was conducted for the purpose of forming an opinion on the March 31, 2004 general purpose financial statements taken as a whole. The other data, EXHIBITS G through J, is presented for purposes of additional analysis and is not a required part of the 2004 general purpose financial statements of the Township of Curtis, Alcona County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and in our opinion, is fairly stated in all material respects in relation to the 2004 general purpose financial statements taken as a whole.

Stephenson, Grainth & Co., P.C.

TOWNSHIP OF CURTIS
Alcona County, Michigan

GENERAL FUND
 STATEMENT OF REVENUE - BUDGET AND ACTUAL
For the Year Ended March 31, 2004

	2004 Budget	2004 Actual	Variance - Favorable (Unfavorable)
<u>Taxes</u>			
Current property taxes	\$ 31,544	\$ 31,027	\$ (517)
Penalties and interest on delinquent taxes	479	1,303	824
Collection fees	19,812	19,200	(612)
	<u>51,835</u>	<u>51,530</u>	<u>(305)</u>
<u>Licenses and Permits</u>			
Land use permits	828	828	0
Dog licenses	128	128	0
	<u>956</u>	<u>956</u>	<u>0</u>
Federal Revenue	18,619	51,047	32,428
State Revenue Sharing	100,790	100,790	0
Charges for Services	12,631	12,409	(222)
<u>Interest and Rents</u>			
Interest on investments	1,291	1,291	0
Rents	2,710	4,435	1,725
	<u>4,001</u>	<u>5,726</u>	<u>1,725</u>
<u>Other Revenue</u>			
Sale of cemetery lots	2,400	2,400	0
Refunds and reimbursements	4,510	4,510	0
Other	320	320	0
	<u>7,230</u>	<u>7,230</u>	<u>0</u>
Total Revenue	\$ <u>196,062</u>	\$ <u>229,688</u>	\$ <u>33,626</u>

TOWNSHIP OF CURTIS
Alcona County, Michigan

GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
For the Year Ended March 31, 2004

	2004 Budget	2004 Actual	Variance - Favorable (Unfavorable)
<u>General Government</u>			
Township board	\$ 13,700	\$ 9,772	\$ 3,928
Supervisor	8,174	7,201	973
Elections	297	278	19
Assessor	17,569	17,569	0
Attorney	15,000	7,611	7,389
Clerk	11,848	10,878	970
Treasurer	11,900	9,452	2,448
Board of review	1,439	1,439	0
Township hall	28,080	32,764	(4,684)
Cemetery	14,412	14,412	0
Other	3,000	1,645	1,355
	<u>125,419</u>	<u>113,021</u>	<u>12,398</u>
<u>Public Safety</u>			
Fire	37,134	40,055	(2,921)
Planning and zoning	11,428	9,538	1,890
	<u>48,562</u>	<u>49,593</u>	<u>(1,031)</u>
<u>Public Works</u>			
Transfer station	13,800	12,564	1,236
Streets and highways	52,972	3,410	49,562
Street lighting	5,200	5,025	175
	<u>71,972</u>	<u>20,999</u>	<u>50,973</u>
<u>Other Functions</u>			
Insurance and bonds	10,000	9,519	481
Contingency	6,727	0	6,727
	<u>16,727</u>	<u>9,519</u>	<u>7,208</u>
Capital Outlay	<u>58,441</u>	<u>50,436</u>	<u>8,005</u>
<u>Debt Service</u>			
Principal retirement	9,296	2,534	6,762
Interest and fiscal charges	1,904	507	1,397
	<u>11,200</u>	<u>3,041</u>	<u>8,159</u>
Total Expenditures	<u>\$ 332,321</u>	<u>\$ 246,609</u>	<u>\$ 85,712</u>

TOWNSHIP OF CURTIS
Alcona County, Michigan

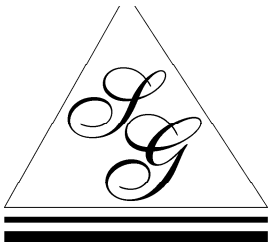
ALL TRUST AND AGENCY FUNDS
 COMBINING BALANCE SHEET
March 31, 2004

	<u>Current Tax Collection Fund</u>	<u>Trust and Agency Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ <u>39,202</u>	\$ <u>4,440</u>	\$ <u>43,642</u>
<u>LIABILITIES AND FUND EQUITY</u>			
<u>Liabilities</u>			
Due to other funds	\$ 39,202	\$ 2,417	\$ 41,619
Due to state	0	274	274
Due to federal government	<u>0</u>	<u>1,749</u>	<u>1,749</u>
Total liabilities	39,202	4,440	43,642
<u>Fund Equity</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Fund Equity	\$ <u>39,202</u>	\$ <u>4,440</u>	\$ <u>43,642</u>

TOWNSHIP OF CURTIS
Alcona County, Michigan

ALL TRUST AND AGENCY FUNDS
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended March 31, 2004

	Balance April 1, 2003	Additions	Deletions	Balance March 31, 2004
<u>Current Tax Collection Fund</u>				
Cash	\$ 40,543	\$ 1,193,567	\$ 1,194,908	\$ 39,202
Due to other funds	(40,543)	47,291	45,950	(39,202)
Due to component units	0	23,081	23,081	0
Due to county	0	484,467	484,467	0
Due to schools	0	639,172	639,172	0
Due to others	0	897	897	0
	<u>\$ 0</u>	<u>\$ 2,388,475</u>	<u>\$ 2,388,475</u>	<u>\$ 0</u>
 <u>Trust and Agency Fund</u>				
Cash	\$ 3,374	\$ 59,142	\$ 58,076	\$ 4,440
Due to other funds	(1,767)	0	650	(2,417)
Due to state	(403)	9,758	9,629	(274)
Due to federal government	(1,004)	47,768	48,513	(1,749)
Due to others	(200)	550	350	0
	<u>\$ 0</u>	<u>\$ 117,218</u>	<u>\$ 117,218</u>	<u>\$ 0</u>



Stephenson Gracik & Co., P.C.

Certified Public Accountants & Consultants

Alan J Stephenson, CPA
Gerald D Gracik Jr., CPA
James J Gracik, CPA
E. Thad Gray, CPA
Donald W. Brannan, CPA
Kyle E Troyer, CPA

Herman A Bertuleit, CPA

May 26, 2004

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Township Board
Township of Curtis
Alcona County, Michigan

We have audited the general purpose financial statements of the Township of Curtis as of and for the year ended March 31, 2004, and have issued our report thereon dated May 26, 2004. In our report dated May 26, 2004, our opinion was qualified because the general purpose financial statements do not include the general fixed assets group of accounts of the Township; the fixed assets of the Enterprise Fund prior to January 1, 1995, and related accumulated depreciation. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township of Curtis' general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Township of Curtis in a separate letter dated May 26, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Curtis' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted one matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township of Curtis' ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements.

Separation of Duties in the Performance of Functions

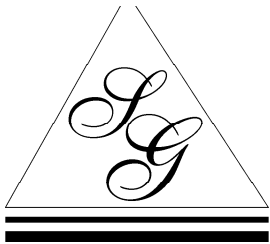
Due to the limited number of staff at the Curtis Township Library, there is an absence of appropriate segregation of duties. The librarian receives cash, has control over non-cash accounting records and writes and signs checks. To minimize this deficiency, the Township treasurer prepares bank reconciliations and all checks require dual signature by a Board member or other designated person. We recommend that the cash receipts and cash disbursements functions be handled by different individuals and that all petty cash invoices get Board approval.

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness. We also noted other matters of lesser importance and comments on certain items for information purposes only involving the internal control over financial reporting that we have reported to management of the Township of Curtis in a separate letter dated May 26, 2004.

This report is intended solely for the information and use of management, the Township Board and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Stephenson, Grault & Co., P.C.



Stephenson Gracik & Co., P.C.

Certified Public Accountants & Consultants

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Herman A Bertuleit, CPA

May 26, 2004

Members of the Township Board
Township of Curtis
Alcona County, Michigan

Dear Board Members:

We have audited the general purpose financial statements of the Township of Curtis for the year ended March 31, 2004, and have issued our report thereon dated May 26, 2004. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated February 18, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the general purpose financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the Township of Curtis' internal control. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the Township of Curtis' general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Curtis are described in Note 1 to the general purpose financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Township of Curtis' during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the general purpose financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the general purpose financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township of Curtis' financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township of Curtis, either individually or in the aggregate, indicate matters that could have a significant effect on the Township of Curtis' financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to

the general purpose financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's general purpose financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Curtis' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Additional Information

As a result of our study and evaluation of the internal controls as described in the third paragraph, certain matters came to our attention upon which we would like to comment and offer the following recommendations.

Separation of Duties in the Performance of Functions

Due to the limited number of staff at the Curtis Township Library, there is an absence of appropriate segregation of duties. The librarian receives cash, has control over non-cash accounting records and writes and signs checks. To minimize this deficiency, the Township treasurer prepares bank reconciliations and all checks require dual signature by a Board member or other designated person. We recommend that the cash receipts and cash disbursements functions be handled by different individuals and that all petty cash invoices get Board approval.

General Fixed Assets

We recommend the Township compile a complete inventory and identification listing of all Township fixed assets. This listing should be periodically reviewed and updated to help safeguard assets and aid in detecting any unauthorized sales or dispositions.

Enterprise Fund Fixed Assets

We recommend the Alcona Park compile an inventory of fixed assets acquired or constructed prior to January 1, 1995 that are still in existence at the Park, so that these assets can be incorporated into the balances being carried on the general purpose financial statements in the future.

Budget Control

The Curtis Township's general fund included expenditures in one function that exceeded appropriated amounts. We recommend that the Township Board amend the budgets as needed and take into consideration recurring year end audit adjustments.

We wish to express our appreciation for the cooperation and courtesies extended our staff by management and employees of the Township.

This information is intended solely for the use of management, Township Board and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Stephenson, Grainth & Co., P.C.